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ARMY CPMS XXI:

TRANSFORMING CIVILIAN WORKFORCE MANAGEMENT

WHITE PAPER

by

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ARMY CPMS XXI: TRANSFORMING CIVILIAN WORKFORCE MANAGEMENT

I. EXECUTIVE SUMMARY

This White Paper was prepared by the Wexford Group International (WGI) as a background document for the Army's human resources (HR) visionaries, responsible for creating the future civilian objective workforce needed to support Army transformation over the next 20 years. Army transformation envisions an objective force that is lighter, faster, more flexible, and capable of responding to multiple missions and threats. Under transformation, as more military personnel are assigned to the operational force, civilians will play an increased and more important role in the future Army, taking over many duties currently performed by uniformed personnel—even in leadership positions. Further, we will expect that more civilians will be subject to deployment as part of the transformed institutional force.[1] This paper outlines a vision of this civilian objective force, describes the need for HR reform, and proposes numerous reforms along with a new HR management model to enable the Army to achieve its vision and meet its future needs.

The Problem

The civilian workforce has long been crucial to the Army's ability to accomplish its mission; however this workforce in recent years has been severely depleted. Since 1989, the Army's civilian workforce has been dramatically reduced in total numbers from 378,417 in 1989 to 249,931 in 1999, a reduction of 34%.[2] Now, with this diminished workforce, Army leadership is facing four critical challenges:

- The need for a civilian workforce that can keep pace with a transformed Army.
- Replacement of the loss of expertise, skills, and loyalty as retirements increase.
- The effects of continued outsourcing.
- Recognition of the changing values and outlook of the next generations of civilian workers.

This paper will present system-wide human resources reforms along with a new strategic approach to civilian workforce management. Taken together, these actions will help resolve the Army's most serious human resources problems:

- An aging workforce that will require replacing large numbers of employees
- A cumbersome hiring process
- Difficulty recruiting the best and brightest
- Difficulty retaining and motivating quality employees
- A shortage of skills in information technology, science and engineering, health care, and other technical areas

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[1] Department of the Army Pamphlet 100-1, "Force XXI Institutional Army Design," 1998.
[2] Includes military technicians, foreign national employees, and civil works employees.

- Ineffective performance-management systems
- Uncompetitive compensation systems
- Lack of accountability by managers for human resources management
- Inadequate training and development
- An obsolete occupational structure

The Vision

In looking at the future, Transformed Army, the changing face of work and the future U.S. workforce, WGI and the DASA(CPP) staff jointly developed a powerful statement of what the Army civilian workforce should look like in the future. The results of that effort are as follows:

> We believe the future Army civilian workforce should be…
>
> *"A high-performing workforce of employees and contractors, with multiple and integrated skill sets, capable of adapting quickly to a changing Army mission, and competitive with the nation's best."*

The Proposed Solutions

1. HR System Reform

For the Army to attain this vision of a high performing workforce, it will need far more flexibility than the current HR system allows. It will not be sufficient to continue to simply tinker with the pieces of the current system at its edges. A fundamental and visionary re-thinking of laws, regulations, and policies is required. While some of the proposed changes can be implemented within the current legal and regulatory framework that applies to the Army, others will require legislative changes, including relief from Title 5, and significant new administrative authorities.

WGI proposes that the Army undertake a broad-based review and re-engineering of its HR system—laws, regulations, policies, and processes. Out of this review will emerge the detailed blueprint for a new HR system that must include changes in the following four critical areas:

- **Workforce acquisition and replenishment –** Develop efficient, flexible and selective hiring practices to help the Army fill jobs much faster. Employ multiple recruitment strategies and allocate resources to recruitment programs – the Army must be prepared to recruit at all position levels in order to ensure the right workforce skill and demographic mix.

- **Incentives for performance and contribution –** Link strategic goals and performance management to incentive programs. Develop a flexible compensation system to accommodate all employees to include: pay banding, market-based pay, competency-based pay, rank-in-person and retention allowances.

- **Development and utilization of workforce assets –** Provide intensive, well-resourced development for key personnel, broad guidelines for the appropriate development of the supporting workforce (whether they be permanent, temporary or contractors) and a culture of continuous learning.

- **Workforce planning –** Introduce HR reforms that will facilitate workforce planning, such as restructuring and condensing the definitions of occupations and skills and developing a competency-based inventory of the Army workforce.

2. New HR Management Model

Even after implementing the extensive system reforms identified above, WGI believes the only way for the Army to successfully achieve its vision is to adopt a new HR management model in conjunction with the much-needed HR system reforms. WGI recommends a model that advocates heavy investment and central management of key personnel, with all other positions (whether they be permanent, temporary or contractor) being managed in a decentralized manner. Individual major command budgetary considerations, mission requirements and local labor markets would drive the exact mix of workers and employment arrangements in the decentralized workforce.

The end result of adopting this model would be to enable the Army to strategically manage its human capital, and assure return-on-investment from these assets. A critical feature of this model is central management of a core workforce. Central management will assure that decisions on hiring, assignments, development, training, promotion, and retention are made strategically. That is, these decisions would be based on long-term, Army-wide interests, and not only on the short-term interests of local commanders. Central management also assures fairness. The same criteria would be applied Army-wide in hiring, promotion, retention, and separation of the most critical civilian leaders and employees. Consistent criteria and central decision-making also provide quality control, thereby assuring the best use of resources invested.

Adopting this model will not only produce significant gains at the Army level, but also will produce substantial benefits for major commands and local commanders. The decentralized workforce concept will provide an unprecedented ability for local commanders to redesign the rest of the workforce using a range of employment options based on local requirements. The flexibility inherent in this model will allow local commanders more easily to expand and contract the workforce consistent with fluctuations in their workload. This model, therefore, aligns human capital decision-making with the perspectives and needs of the decision-makers: long-term, strategic decisions at headquarters, and short-term, tactical decisions in the field.

Plan for Moving Forward

A number of the recommendations within this paper will require further analysis, discussion and staff work. A high-priority task will be to create and carefully develop legislative proposals, as well as other regulatory and policy changes that will be needed to implement the recommended reforms. In addition, decision documents will need to be prepared on the central management paradigm and decentralized workforce management. These documents would outline specific steps required to obtain approval for and implement the recommendations, including proposed policy guidance and transition issues. Cost-benefit analyses will also be needed to support key resource decisions. Finally, a communication and marketing strategy will be essential to guide the Army through the extensive culture change that is proposed. Implementing the communications strategy will be an ongoing process, as buy-in must be obtained from Army leaders, HR personnel and civilian employees along with Congress and OPM on different time-lines.

The HR reforms and new management model proposed in this paper represent an enormous undertaking. Once implemented, the recommendations in this paper will transform the Army's view of its civilian human resources into a strategic, Army-wide view that will better support Army Transformation. It will also enable the Army to deal effectively with the expected loss of skills and experience through the retirement wave, while giving an unprecedented opportunity to redesign the civilian workforce.

II. BACKGROUND

Army transformation alone would establish the need for a new look at the Army's civilian workforce; however, there are other drivers that also press for change. Among these drivers are:

- The Defense Science Board's report of 15 September 1998, which concluded that the American public is increasingly less involved and less inclined to serve in the Department of Defense, and that the DoD does not have the authority and tools necessary to integrate the management of its human resources.
- The General Accounting Office's issuances and testimony on the concept of "human capital," concluding that agencies must define the kind of workforce they will need in the coming years so that when the future arrives, the right employees—with the right skills, training, tools, structures, and performance incentives—will be on hand.
- Senator Voinovich's *Report to the President: The Crisis in Human Capital*, 4 December 2000, stating that a strategy is needed to confront the government's challenges in demographics and performance, and should include comprehensive workforce planning, robust training, the right incentives, and performance measurement.
- The Commission on National Security (Senators Rudman and Hart) report of 15 February 2001, which stated that the maintenance of American power in the world depends on the quality of U.S. government personnel, civil and military, at all levels, and calls for significant changes in government HR systems and practices.

Within the Army, the mandate is equally clear. The Chief of Staff's directions for transformation are to (1) shape the military capability to meet existing and emerging trends, and (2) obtain and retain a civilian force to respond and support the military force. The Vice Chief of Staff has recently stated, "…the civilian personnel program is broken, and I can't fix it."

In March 2000, the DASA (CPP) engaged the WGI to assist in assessing the civilian workforce situation and to develop new concepts for human resource systems and workforce planning, and then to work with the Army to implement needed changes. The WGI team includes personnel with expertise in Army management, workforce planning and analysis, future trend analysis, and HR policy, operations, and systems. WGI, working with Plans and Strategies Division staff, sought information from a variety of sources that would have a bearing on the Army's problems. These sources included:

- Army CPMS XXI background material, including workforce data models and Career Program strategic plans.
- Interviews and/or visits with HR and other key officials in several Army commands/agencies: FORSCOM, TRADOC, AMC, USACE, AMEDD/MEDCOM, and USAMAA.
- Interviews/benchmarking visits with senior officials and/or HR staff of other Federal agencies, including the IRS, Air Force, HHS, OSD, and OPM.
- Literature reviews on HR topics and the future workforce. (WGI prepared a thorough report on the results of this review, entitled "A Strategic View of the Workforce of the Future.")

- A 10-year special trend analysis of the Army's civilian workforce based on data provided by DMDC.
- Review of the Army's attitude survey results and civilian personnel program evaluation reports.
- A day-long symposium with senior HR/manpower experts from Air Force, Army, and OMB.

In the course of this contract for civilian workforce planning and analysis support, WGI has provided to the Army the following Deliverables:

1. Draft Strategic Vision Statement for the Objective Army Civilian Workforce, April 12, 2000.

2. Initial Analysis and Methodology to Achieve the Vision for the Objective Civilian Workforce, August 2, 2000.

3. A Strategic View of the Workforce of the Future, August 15, 2000.

4. Narrative Description of the Capabilities Needed for the Performance-Based Objective Workforce, August 31, 2000.

5. Recommendations Regarding Establishment of a Secretariat-level Adjudicatory Body, September 28, 2000.

6. Report on Fundamental Concepts and Strategies Required to Build the Civilian Workforce Identified in the Strategic Vision, December 15, 2000.

7. White Paper, "Transforming Civilian Workforce Management," April 16, 2000.

8. Alternative Centralized Workforce and Career Program Calculations, April 28, 2000.

III. CIVILIAN WORKFORCE VISION

As a part of the effort under this contract, WGI worked with the DASA(CPP) staff to jointly develop a powerful statement of what the Army civilian workforce should look like. The results of that effort are as follows:

> We believe the future Army civilian workforce should be…
>
> *"A high-performing workforce of employees and contractors, with multiple and integrated skill sets, capable of adapting quickly to a changing Army mission, and competitive with the nation's best."*

This vision statement contains within it five key components. Each of these components is identified and expanded upon below.

1. A high-performing workforce:

The Army's civilian workforce will demonstrate high levels of commitment to the Army's mission. The civilian workforce will demonstrate the motivation, energy, and dedication needed to perform its functions in an exemplary manner. The Army will establish meaningful incentives to motivate and sustain the levels of performance expected and will invest heavily in building and maintaining the capabilities of the civilian workforce. The civilian workforce will be viewed on a par with military personnel and will serve as an invaluable partner with the military in the common pursuit of mission objectives. The civilian workforce will provide a handsome return on the Army's investment in its acquisition and development.

2. Integrated workforce of employees and contractors:

The Army's civilian workforce will be managed as an integrated whole. The Army will have the flexibility to establish different types of employment arrangements as needed to attract the talent it needs. For instance, there will be a continuum of employment options to include permanent, temporary and contractual arrangements and movement between them will be more fluid based on personal needs and preferences as well as the strategic needs of the Army. Employees and contractors will work side-by-side, in complementary roles structured to ensure the Army mission is accomplished in the most cost-effective manner, while also complying with broad public management goals and expectations. The roles of civilian employees and contractors will be structured to ensure that inherently governmental functions are performed within the public sphere and that contractual work is well managed from a business perspective. Military personnel nearing the end of their military careers will be able to easily transition into the civilian sector (contractor or employee) where the valuable skills they have attained can continue to be utilized.

3. Multiple and integrated skill sets:

The Army workforce will develop broader skill sets that enable employees to perform multiple work functions, better integrate work functions with broader work processes, and more easily transition to new assignments in response to changes in the Army mission and business strategy. New, broader skill sets will be configured so that the specific skills within a skill set support one another and are reasonably attainable and sustainable by the workforce. The career structure of the Army will be re-configured to support the new, broader skill sets.

4. Adaptable to a changing Army mission:

The Army will be capable of rapidly adapting its workforce to meet new mission requirements. This means the workforce itself will be more adaptable as a result of developing broader skill sets (see above). But it also means the Army must have HR systems in place that allow it to quickly re-skill the existing workforce as necessary, hire or otherwise obtain new human resources with the skills needed, assign employees quickly from one set of tasks to another, and adjust the number of human resources allocated to a given physical location, work function, or organizational unit.

5. Competitive with the nation's best:

The Army workforce will meet or exceed commonly accepted industry standards for specific occupations and specialties. The Army will rely more extensively on established degree programs, industry certifications, and commercial training programs to establish occupational standards and to develop skills needed to meet those standards. This will result in a workforce that can and will migrate more easily from the Army to the private sector and vice versa. It will also contribute to far greater skill currency and awareness of new and emerging technologies, business practices, and professional standards. Overall, it will enhance the workforce's value in the marketplace and contribute to a greater sense of workforce professionalism.

Future Vision and Today's Reality: Gaps and Problems

Is the Army's civilian workforce positioned to achieve the future vision described above? To answer this question, WGI carefully examined the data sources identified. It is difficult to accurately describe all members of the current civilian workforce with respect to how they meet the Army's future needs. Nonetheless, it is useful to review certain trends and tendencies that directly affect the Army's ability to build its future workforce. Some of these trends and tendencies are demographic; some are attitudinal. Army leadership can influence some trends; others are simply reflections of changes in the general (public) workforce as a whole.[3] From these data, WGI identified five key findings.

- *Enthusiasm* - As measured by the promotion trends over the past several years, Army civilians appear to have limited opportunities for advancement. Only 28% of employees say they are satisfied with awards and recognition they receive. This number was down from 53% in FY 1996. Even fewer (22%) say they are satisfied with the promotion system. This too has dropped from 32% in FY 1996. Further, employees' enthusiasm about Army careers and their own jobs is low. About 41% of supervisors and 43% of employees would recommend that others pursue a career with the Army, and 30% of employees and 26% of supervisors say, "I frequently think about quitting my job." Less than one-third of Army civilians say that their management rewards employees who show initiative and innovation.[4] Clearly, these factors must improve if the Army is to achieve its vision of a high-performing workforce that is competitive with the nation's best.

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[3] Data supporting general workforce characteristics and trends can be found in the paper prepared by WGI entitled, "A Strategic View of the Workforce of the Future."

- *Performance Recognition* - While positive responses rose slightly from 1998 to 2000, most civilian employees do not agree that awards are given to the most deserving people—only 26% agree. Nor do employees agree that they will receive an award for doing their jobs especially well. More, but still only a minority of employees (44%), agree that they are recognized when they do a good job. Only 32% think management rewards initiative and innovation.[5] These characteristics do not depict a workforce motivated toward high performance in a changing world.

- *Size and composition* - One result of downsizing to date is that the Army's workforce is older. The average age of Army civilians has increased from 41.6 to 45.8 over the last 10 years. Further, the average age of new hires is now 35.3 years, an increase from 30.6 years in 1990.[6] Age, in and of itself, is not a particular problem. But with many employees eligible for retirement, it will likely be very difficult to replace skills and experience while at the same time creating a new type of worker as described in the envisioned workforce.

- *Breadth of Experience* - It appears the Army's workforce is not becoming more occupationally or geographically mobile. In 1999, 8% of employees changed series (not Occupational Group), and this number has been stable for the past 10 years. Based on the same trend analysis, only 4-5% of civilians move each year.[7] This development is significant because it is counter to the vision's demand for multi-skilled workers who are adaptable to changing missions and responsibilities.

- *Education* - While education level is rising slightly among the total Army civilian workforce, downsizing and outsourcing at lower education levels have increased the proportion of Army jobs requiring advanced education. The education level of Army civilians is only comparable to that of the workforce as a whole, not higher: 30.6% of Army civilians have a bachelor's degree or higher, vs. 31.0% in the general labor force.[8] Increasing the Army's education level will be especially important to the creation of an adaptable, multi-skilled workforce that is competitive in the marketplace.

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[4] Army CP Attitude Surveys

[5] Army CP Attitude Surveys

[6] DMDC Special Trend Analysis

[7] DMDC Special Trend Analysis

[8] DMDC Special Trend Analysis and Bureau of Labor Statistics, U.S. Department of Labor. *Contingent and Alternative Employment Arrangements, February 1999.* USDL 99-362. Washington, D.C., December 1999.

IV. CONCEPTS FOR HR SYSTEM CHANGES

For the Army to meet the challenges of the future and attain its vision of a high performing workforce, it will need far more flexibility than the current HR system allows. It will not be sufficient to simply tinker with the pieces of the current system. A fundamental and visionary re-thinking of the system is required. While some of the proposed changes can be implemented within the current legal and regulatory framework that applies to the Army, others will require legislative changes and significant new administrative authorities.

WGI proposes that the Army undertake a broad-based review and re-engineering of its HR system policies and processes. Out of this review will emerge the detailed blueprint for a new HR system that must include the following four critical components:

- Workforce acquisition and replenishment
- Incentives for performance and contribution
- Development and utilization of workforce assets
- Workforce planning

1) Workforce Acquisition and Replenishment

Over the past decade, the Army civilian workforce has changed significantly in terms of age, occupational profile, grade, and educational level. This change can be primarily attributed to continued downsizing. The Army also faces the reality that a significant number of its “baby boom” generation employees will be eligible to retire by 2010. Many of these employees currently occupy positions of great responsibility and the loss of their extensive experience and unique skills will surely be felt. Ensuring HR policies and practices promote the acquisition and replenishment of a civilian workforce with the expertise and experience needed to achieve the Army’s strategic vision has never been more important. While the projected loss of experienced workers is a problem, it is also an opportunity to redesign the civilian workforce for the future. This segment will describe needed steps and/or changes in hiring practices and recruitment strategies.

A. Developing Efficient, Flexible, and Selective Hiring Practices

One of the most common managerial and applicant complaints is that it takes the government far too long to hire employees. Hiring delays of weeks or even months are unacceptable given the intense competition for highly qualified workers in today and tomorrow’s labor market. Hiring practices must be flexible enough to adapt to changing mission requirements, while taking full advantage of technological advances in hiring tools. However, this flexibility and efficiency must be carefully balanced with the selectivity and rigor required to ensure the development of a highly skilled and diverse workforce. This selectivity will be of particular importance to the hiring of centrally managed civilians because of their leadership roles and complex responsibilities critical to support of the warfighter.

Recommendations:

1. Obtain on-the-spot hiring authority to allow for hiring decisions with greater flexibility in regard to veterans' preference, the rule of three, OPM referral procedures, or public announcement to appoint applicants whose skills are in demand (e.g., engineers, scientists, information technology professionals).[9]

2. Rescind 5 USC, Section 3326, to allow retired members of the armed forces to be appointed to civil service positions immediately after retirement without requirements of a waiver.

3. Propose legislation that would provide relief from veterans' preference based on the Army's track record in hiring veterans and the continuation of high levels of veteran hires.

B. Employing Multiple Recruitment Strategies

No single recruitment strategy or hiring authority will resolve the difficulty the Army faces of competing with the private sector for the nation's most capable workers. The Army must adopt multiple recruiting approaches, recognizing that an approach effective for attracting candidates at a position's entry level may not be effective at the journey or expert level. The Army must be prepared to recruit at all position levels in order to ensure the right workforce skill and demographic mix. The Army will also need to establish and nurture strong relationships with selected colleges and universities as essential recruitment pools. Targeted recruitment pools need to be ingrained with the Army brand (e.g., its vision, mission, work environment) such that employment candidates will view Army employment as a national service and the Army as "a great place to work". These recruitment efforts must be recognized as a workforce acquisition priority.

Recommendations:

4. Increase use of internship and College Cooperative Education (co-op) programs to attract qualified individuals from colleges and universities and indoctrinate them to the Army's mission. These programs are integral to the acquisition and development of a highly trained, educated, and skilled civilian workforce.

5. Develop and support an employee referral program to include recruitment bonuses when qualified referrals are hired.

C. Allocating Resources to Recruitment Programs

The Army will need to augment current resources dedicated to the acquisition and replenishment of the civilian workforce to be more in line with those resources allocated to recruitment of the military workforce and utilized by the private sector. Recognition that the civilian workforce is integral to the Army's success in meeting its mission must be translated into budgets and personnel dedicated to recruitment of civilian personnel. For example, installation commanders will need the flexibility and budget to competitively recruit for their local mission needs. Also, the recruitment of the centrally managed workforce will require additional recruiting and training resources.

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[9] This is the first of several recommendations that are numbered sequentially throughout the report.

Recommendations:

6. Review recruitment program budgets for sufficiency and augment as needed.

7. Conduct cost-benefit analyses of recruitment programs to ensure efficient and effective use of resources.

8. Centrally manage recruitment resources for key personnel.

2) Incentives for Performance and Contribution

Over the past decade, it has become increasingly difficult to attract highly qualified professionals to national service given the competitive alternatives in the private sector and the continued downsizing of the Federal government. This trend will continue into the 21st century as workforce demands exceed labor market resources. Employees increasingly view themselves as vital assets essential to an organization's ability to deal with an ever-changing world and expect to be rewarded as such. In order to support the Army's evolving war fighting doctrine and force structure, the Army will need to develop and implement flexible, competitive incentive programs that attract, retain and motivate civilian employees with multiple and integrated skill sets. This section will describe strategies for establishing effective incentives for performance and contribution.

A. Linking Strategic Goals and Performance Management to Incentive Programs

Effective incentive programs (e.g., compensation and promotion systems) begin with clearly defined criteria that are explicitly linked to the Army's mission and strategic goals and objectives. Performance expectations and measures should reflect these criteria such that individual employee performance goals are aligned with the Army's current and future mission requirements. The Army must move away from an entitlement culture in which employees regard pay increases, and even awards, as automatic, regardless of performance. In order to achieve the vision of a high-performing civilian workforce, it is essential that employees be confident that incentives are awarded only to those employees whose performance and contribution clearly exceed expectations in support of the Army's mission and strategic goals.

Identifying strategic mission requirements, translating those requirements into measurable performance expectations and goals, and establishing incentives that motivate employees to reach and exceed those expectations is integral to the Army's ability to develop and retain a civilian workforce capable of supporting tomorrow's warfighter.

Recommendations:

9. Link incentives to individual, team, and organizational performance. Incentives must foster a work environment in which teamwork plays an integral role while also allowing for individual contributions.

To accomplish this goal, consider use of a balanced scorecard (BSC) approach for performance evaluation, whereby employee performance is linked to organizational strategic goals and measured within the context of broad business perspectives (e.g., customer service, internal business processes, employee learning and growth, etc.). BSC first started in the private sector – which realized that ultimate success was determined by far more than just the financial bottom-line. In a recent survey, Bain & Co., an international consulting company, reported that 100 out of 250 firms were using some form of the BSC – companies involved in services, manufacturing, IT, healthcare, utilities and consumer products. BSC operationalizes the business strategy; is tied to the mission, vision and goals; tracks trends and is linked to action plans. It measures the results of actions already taken, the drivers of future performance, and provides multiple perspectives on organizational performance. For these reasons, using BSC to link performance and business goals will help address the issue of accountability in performance management, a continuing source of concern to Army civilian personnel managers.

10. Evaluate periodically the fairness and effectiveness of incentive programs. Incentives that fail to motivate and reward employee performance consistent with the Army's mission and strategic goals are of little value and should be discontinued or re-vamped.

It is important to recognize, however, that no one incentive program will motivate all employees under all circumstances. Therefore, the Army must exercise its broad statutory and regulatory authority to design and implement a range of incentives, both monetary and non-monetary. The remainder of this section will focus on the two most influential of these incentives – compensation and promotion – and offer differing methods for the two civilian workforce management approaches.

B. Developing a Compensation and Promotion System for Centrally Managed Employees

The centrally managed workforce will consist of civilians who have a mission orientation and focus. They will play critical leadership and functional/technical roles and be interchangeable with military personnel for many non-warrior functions, e.g., garrison leadership. A considerable time and resource investment will be required to fully develop these employees. Incentives targeted to these civilians must reflect and reward this unique expertise and commitment to the Army's mission.

Specifically, compensation will be primarily based on the continuing development of an employee's competencies, skills and Army-specific knowledges through training, education and career assignments. The Army will promote and reward those civilians whose professional development and performance are linked to broad organizational and occupational requirements rather than a specific function or position. Overall, compensation for these civilians will recognize their commitment to the mission and reflect the Army's commitment to their professional development aligned with the mission.

Recommendations:

11. Obtain the legislative authority to replace the current 15 grade general schedule and establish broad pay bands, which will allow management greater flexibility to pay for performance and contribution. Ensure the initiative is adequately funded so that managers have the ability to significantly reward their top performers.

12. Establish a competency-based compensation system. Competency-based pay focuses on the value of the individual to the organization rather than the value of the individual's particular job.

A competency is the capacity for excellent performance in a particular area, deriving from knowledge, skill, ability or other characteristic (attitudes, traits, motives). The competency of team building, as an example, requires multiple knowledges, skills, abilities, and other attributes. In a competency-based pay system, the Army would define competency profiles for each function and career level (i.e., developmental, journey, expert), and then use these competency profiles as the basis for performance appraisals that are linked to pay-setting decisions.

The promotion system for centrally managed civilians will have attributes similar to the compensation system. It will be centrally managed and grounded in the recognition and reward of these civilians' professional development. Centrally managed civilians are expected to be the critical employees of the future Army. Therefore, the promotion system must provide the incentive to motivate them to acquire and demonstrate performance of key competencies and skills (e.g., leadership, program management, analysis) critical to the Army's ability to adapt to an ever-changing world. Emphasis will need to shift from the current time-in-grade and position-specific qualification requirements to development and demonstration of multiple and integrated skill sets explicitly linked to the Army's mission. Selective employee mobility across organizations and geographic locations will normally be required to develop these multiple skill sets and should be rewarded through the promotion system.

Recommendations:

13. Establish a person-based promotion system, rather than position-based. Advancement would be dependent on what the individual contributes to the organization in terms of performance, expertise, etc. rather than solely being tied to narrow position requirements. This will enable highly skilled and valued employees to advance without necessarily taking on management or supervisory positions they do not aspire to and are ill equipped to perform. As part of this system, there must be a mechanism for workforce renewal, such as selective retention/retirement, which will ensure sufficient movement to allow for adequate promotion opportunities. Employees in the centrally managed workforce who have reached a plateau in their career progression could be required to leave the centrally

managed workforce either by transitioning into the decentralized civilian workforce, or by leaving Army employment altogether.

C. Developing a Compensation and Promotion System for the Decentralized Workforce

In contrast to the centrally managed workforce, the workforce under decentralized management will consist of civilians who have a task orientation and focus. These civilians will have specialized skills (e.g., information technology) that are critical for operation, production, and/or support functions and tasks. These skills will generally be available in the marketplace and easily acquired at market rates. Incentives targeted to these civilians must account for the premium that will be placed on their specialized skills in the future, due to the projected tight labor market, and allow the Army to effectively compete with private sector alternatives for those skills critical to its mission.

Given that the Army will be relying on the marketplace as the primary source for these skills, market rates will drive, in part, compensation for those civilians under decentralized management. As such, the focus of the compensation system will be on external pay equity to ensure the Army's competitiveness with the private sector for the best-qualified applicants. Compensation will also be explicitly linked to performance. The compensation system for these civilians will need to be grounded in a budget-driven approach and to a large extent decentralized. Installation commanders will need the authority and flexibility to appropriately and competitively reward high performers with skills and experience critical to their current and future mission requirements in accordance with market rates and within a specified budget.

Recommendations:

14. Obtain the legislative authority to replace the current 15 grade general schedule and establish broad pay bands. Establish a pay-for-performance system whereby salary increases and bonuses within each of the pay bands are dependent on high performance and contribution. Ensure the initiative is adequately funded so that managers have the ability to significantly reward their top performers.

15. Obtain legislative authority to set starting salaries based on prevailing market rates for selected occupations (e.g., information technology).

16. Within current authorities, employ retention allowances and bonuses to prevent highly skilled and high performing employees from leaving.

Just as compensation is based on performance, promotion for civilians under decentralized management will depend on demonstrated high performance of those skills, functions or services needed to meet mission requirements at the local level. Civilian employment for this workforce will be in a variety of different arrangements (e.g., permanent, temporary, and contractual). As such, the promotion system will serve as an attraction and retention tool for high-performing employees with key skills or functional expertise for as long as the need for that skill or expertise exists. Promotion targets (i.e., numbers of employees to promote in particular occupations, series, functional areas, etc.) will be strategically based on local mission requirements for higher-level work.

The decentralized workforce will be one source from which candidates for the centrally managed civilian workforce can be drawn. As such, the promotion system will also serve as an important selection tool for identifying those civilians who are performing at levels consistent with the requirements of the centrally managed workforce. Career progression paths should be incorporated into the promotion system to facilitate the transitioning of those civilians with the desire, skill, experience, and/or performance requirements needed for the centrally managed workforce.

3) Development and Utilization of Workforce Assets

An overarching objective in changing the Army's HR systems is to assure that human capital assets are aligned with the Army's strategic plans and directions. This will require a different approach to the development and utilization of the workforce, particularly the centrally managed workforce. A fundamentally different concept of civilians' role in supporting the Army's mission requires a different approach to HR management. This section will address policies and programs to develop and utilize the civilian workforce.

A. Management and Development of the Centrally Managed and Decentralized Workforces

The centralized management of civilians in key positions in the Army will help assure that core human capital assets are aligned with the Army's strategic plans and directions. This workforce must be controlled centrally to fully manage development and job assignments. The Army's commitment to these personnel will be substantial, and the personnel, themselves, will have made a substantial career commitment to the Army. In contrast, workforce management of all other civilians will be decentralized and done locally, at the installation level. This is where the labor market is located to fill those positions. Management of those civilian positions at the local level will make the hiring decisions much more responsive to local labor market dynamics.

Recommendations:

17. Budget for and provide the resources needed for this intensive, central HR management of a core workforce.

18. Examine specific HR policies to ensure that they will support the new HR concept. For example, determine if current processes, procedures, and allowances will hinder implementation of the geographic mobility desirable for the centrally managed workforce.

19. Develop a concept of operations and HR policy framework for the decentralized workforce. Within such a policy framework, these civilians would generally be managed at the command or local (installation or activity) level.

20. Develop a concept of operations for management and development of the centrally managed workforce by the central HR staff. This office would have full responsibility for complete management of key personnel, including policy, planning, analysis, resource management (manpower/budget), professional development, assignments, selection criteria, future assessments, and data support. This concept could include the following:
    - A Central Civilian HR Management Office, which would carry out the desired decision and program control over the centralized workforce. This office would have the civilian equivalent of the DCSPER's responsibility and authority for the Officer corps.

    - This office would have full responsibility for complete management of the centralized workforce, including policy, planning, analysis, professional development, assignments, selection criteria, future assessments, and data support. In addition, it would perform succession planning, compensation analysis (vis-à-vis the marketplace and to achieve the Army's goals), recruitment planning and execution, performance management (reward the best, weed out under performing), and career counseling for those having upward mobility capabilities.
    - An advisory body would be established to work with and advise the HR Management Office, having representatives from Functional Chiefs, MACOMS and other interested organizations.

B. The Future of Career Programs

Current Career Programs continue to foster specialization that is counter to the future vision of a workforce with multiple skill sets. Furthermore, the new type of worker will not respond to traditional Career Programs and the traditional career management approach which assumes one point of entry and tenure based progression through a single occupation. In the future environment, the system must allow for multiple entry points and lateral movement into and out of the centrally managed workforce. In the next evolution, the emphasis on Career Programs should be phased out and replaced by a new workforce planning and development system that will focus on broader functions, key positions, and leadership development, to produce employees with multi-skilled capabilities. As this evolution occurs, there is the potential risk that there will be two separate, and isolated, workforces. To prevent this situation, there must be ample opportunity for all members of the community to enter the centrally managed workforce, as well as to leave it gracefully when circumstances warrant.

Recommendations:

21. Develop and implement a succession planning system for the centrally managed workforce. Succession planning may include feeding the centrally managed workforce from the decentralized workforce, transitioning military personnel, as well as candidates from outside the Army.

22. Combine current Career Programs into fewer career fields. Three possible ways to accomplish this combination are:

- Use the same (or a similar) classification scheme as the Officer Personnel Management System. Under this structure, the four career fields would be: Operations, Information Operations, Institutional Support, and Operational Support.
- Use the four core capabilities groupings used in TAA 09: Direct and Resource the Force; Develop the Force; Generate and Project the Force; and Sustain the Force.
- Adopt a functional grouping such as: Human Resources and Related; Resource Management; Acquisition and Related; and Information Management.

C. Training and Development Investments and Resources

In order to achieve its vision, the Army needs to devote sufficient resources to the training and development of its workforce. Decisions regarding the allocation of resources to training and development need to consider not only dollars expended, but also return on investment. The Army's workforce assets must be sustained and nurtured, and continually developed in order to protect its investment in human capital assets. The size of the investment in training should be commensurate with the importance of civilian workers in accomplishing Army goals and objectives. If the civilian workforce is as essential as the uniformed force to the success of the Army in accomplishing its mission, then the Army needs to invest similar resources in development of civilians as it does in its military personnel.

Recommendations:

23. Review training and development budgets for sufficiency and augment as needed.

24. Centrally control training and development resources for the centrally managed workforce.

25. Conduct rigorous return-on-investment evaluations of all training and development expenditures to assure wise use of these resources for the entire workforce.

D. Continuous Learning

In order to meet the demands of the future, the Army's institutional force needs to become a "learning organization." MIT researcher Professor Peter Senge states in his book *The Fifth Discipline,*

> *It is no longer sufficient to have one person learning for the organization, a Ford or a Sloan or a Watson. It's just not possible any longer to "figure it out" from the top, and have everyone else following the orders of the "grand strategist." The organizations that will truly excel in the future will be the organizations that discover how to tap people's commitment and capacity to learn at all levels of an organization . . . . [An organization] where people are continually learning how to learn together.*[10]

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[10] Senge, Peter, *The Fifth Discipline,* (New York: Doubleday), 1990, p.4.

Professor Donald Kettl from the University of Wisconsin, Madison discusses the role of leadership in fostering a learning organization, "Top leaders are responsible for making bottom-up, outside-in learning work. They must foster the professional training, structural flexibility, flatter bureaucracies and decentralized power required to make it happen. They must be tolerant of mistakes. They must even encourage bureaucrats to take prudent risks."[11]

In his book *Winning the Talent Wars*, Bruce Tulgan discusses what he calls the "training investment paradox." He describes the paradox like this, "You have to train people. The more you train them, the more options they have, and so the more likely they are to leave, with your training investment in hand." To him this is one of the best arguments for fluid and flexible staffing. "It is better to get a return on the training investment part-time, flex-time, or sometimes, than not at all." He cites the CIA as an organization that understands this concept well:

> *At the CIA the learning curve in unavoidably very steep – one year minimum of intensive training for operatives. On top of that, operatives come into contact with highly sensitive proprietary information . . . When an operative considers leaving the agency, she is offered a one-year sabbatical. After that year, she may return without any interruption in her career. If she doesn't return as a full-time officer, she may well be utilized as needed on a flexible basis . . . The more you have invested in an employee's skills and the more proprietary information that person has access to, the greater your incentive to keep the person on his own terms if that's what it takes.*[12]

Mr. Tulgan believes, however, that flexible staffing is only part of the solution to the training paradox. The rest of the solution is to redesign your approach to training in an effort to "get people into meaningful roles immediately and move them along to greater and greater responsibility as fast as they can possibly learn." He provides numerous examples of different training techniques used to foster learning organizations and the idea that it is the job of everyone to be a lifelong learner. Some of these examples are merely illustrative of the importance of training, while others may be directly transferable to the Army context.

- Currently there are more than 1600 corporate universities in the United States at companies ranging from Intel to McDonald's (including more than 40 percent of the Fortune 500 companies).

- Some companies have instituted their own version of military style boot camp to create "job-ready" new hires. For example, Deloitte Consulting sends its new consultants through a ten-day twelve-hour-per-day boot camp . . . (where) they learn the basics of the consulting-engagement cycle – opportunity development, analysis, diagnosis, recommendations, implementation. Using a case-study method (like business school), the consultants are actually taught both the basic consulting skills required of any consultant regardless of the service line to which they are assigned as well as skills specific to that service line.

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[11] Donald F. Kettl, "Managing on the Frontiers of Knowledge: The Learning Organization," *New Paradigms for Government*, (San Francisco: Jossey-Bass Publishers), 1994, pp. 19, 31.
[12] Tulgan, *Winning the Talent Wars*, p. 132.

- Some smaller companies use a low-cost, low-tech, one-on-one boot camp to maximize impact in the least amount of time. One experienced person puts aside her own work for the better part of week and teaches the new hire step by step until the person is capable of accomplishing a small bundle of work . . . Whenever new responsibilities are added to anyone's job, somebody more experienced stops what they are doing and provides hands-on instruction . . . until the new responsibilities are understood.

- Easy to access information infrastructure can be as low tech as a well-indexed set of files, to libraries of finished work products, to more high tech versions where all of that same information is stored on a shared LAN. Microsoft, for example, has an intranet-based library of all the source code ever produced by its programmers.

The beauty of some of these approaches is that they become dynamic learning systems that are assets owned by the organization – they may be built up over time, but cannot walk out the door, the way employees can.[13]

In order to achieve the future vision of a Total Army, the training of civilian and military personnel must become systematically integrated – with far more civilians participating in the "corporate universities" the Army already operates. The military has already embraced the concept of continuous learning; it's time for the Army to dedicate similar resources to training its civilian personnel so that they can garner the benefits of a learning organization as well. Yet, while there is much to be done from the macro level, the concept of continuous learning challenges local commanders to think through how best to facilitate continuous learning for all personnel, military or civilian, permanent or temporary, to get the work done in the most efficient way possible.

Recommendation:

26. Install the processes, technology, and other resources to sustain continuous learning. These may need to be configured differently for the unique features of the centralized and decentralized workforces, and may be accompanied by organizational realignments along the lines of the HR development reengineering proposals currently being considered.

4) Workforce Planning

In an earlier report, WGI assessed the existing workforce planning process, and concluded that current practice focuses on studies and analyses to "size" the workforce of current organizations through the use of formal management engineering approaches. In the Army, this approach is embedded in the "12 Step Method" which has strengths and limitations. It has the advantage of being able to pin-point current manpower requirements quite well, while at the same time has the limitation of not being easily usable or adaptable for changing needs nor for projecting future manpower requirements. Therefore, in a practical sense, the Army is forced to "straight-line" manpower requirements for the support structure—TDA Army—for future years without a high level of confidence.

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[13] *Ibid.*, pp. 138-144.

WGI will address these problems with the current workforce planning process in greater depth in coming months; however, there are several changes in the HR system that are related to, or will be needed to facilitate, effective workforce planning under the future vision and are outlined below.

A. Restructuring the Definitions of Occupations and Skills

This step contemplates a systematic look at the civilian occupational structure and asks whether it is sufficient to achieve the vision. The present system is based on an industrial model, in which efficiency is gained through specialization. This model is not effective in the information age, which requires breadth of skill and multi-functional competencies. Today's knowledge workers cannot be effective if confined to narrow specializations. (The General Schedule currently has more than 400 specialties.) Finally, the present system is too rigid in that it cannot be quickly or easily adapted to changes in the nature of work. IT positions, for example, are still being classified under standards written when mainframe computers were state-of-the-art.

OPM is already working on revising the occupational structure toward broad job families, within its current authorities. However, this may not be sufficient to fulfill the Army's needs for flexibility in occupational definitions. The Army should identify how it can best achieve flexible management around occupations and series, and attempt to work with OPM as a key stakeholder to find a way to make the needed changes within the current system. If unsuccessful, the Army should then seek its own legislative authority to broaden its occupational structure to support a multi-skilled workforce vision.

Recommendations:

27. Develop logical groupings of current occupations to be combined into broad functional groupings, each with a community of interest, e.g., Installation Management; Acquisition, Logistics, and Technology.

28. Conduct broad-based occupation studies by functional group to develop competency profiles for use in recruiting, selecting, and developing a high-quality civilian workforce.

B. Requirements Determination for the Centrally Managed Workforce

This step identifies the critical mass of civilians that will be intensively and centrally managed to assure the Army meets its future objectives. This process, by default, also defines the decentralized workforce (i.e., everything not included in the centrally managed workforce will be part of the decentralized workforce). The next step would be to forecast demand for both workforces by establishing an ongoing linkage between centrally managed workforce requirements planning and the TAA or other strategic planning processes.

A distinctly different methodology will be needed to determine demand for the workforce with decentralized management. Most likely, this will be part of the workforce planning linkage with the TAA. This workforce will be a combination of civilian employees and contractors.

Civilian employment will be in a variety of arrangements based on needs (e.g., permanent, temporary, contractual). Management of this workforce will be decentralized and performed based on local needs within broad policies and guidelines. Once requirements are determined, a strategic workforce sourcing process should assure that these requirements can be met, and to what extent these decisions will be made locally based on managers'/commanders' discretion.

C. Modeling and Forecasting Civilian Personnel Supply

Broadly speaking, future supply is the current workforce, less a projected level of attrition. Forecasting models already developed by the Army can be a starting point; however, they are largely based on the current occupational series and grade structure, and do not lend themselves to forecasting the supply of multi-skilled civilians with the competencies needed in the future. A methodology is needed to capture the existing supply in common terms with future requirements.

New forecasting and modeling tools are needed so that comparisons can be made and gaps identified. Not only will the occupational and grade structure change, but also the proposed workforce model requires a different concept of supply analysis. Different assumptions will be used in forecasting the supply of the workforce with centralized management than for the workforce with decentralized management.

Recommendations:

29. Develop a competency-based inventory of the current Army workforce using both core and occupation-specific competencies, geographic location, demographics, and other relevant factors.

30. Develop competency-based forecasting models for both the centralized and decentralized workforces. Include in these models the effects of "workforce shaping" tools, such as targeted early retirement and buyout offers that are expected to become available.

D. Gap Analysis

This is a comparison of projected supply against demand (requirements) to identify deficits or surpluses. Gaps may be expressed in terms of workforce size, composition, skill levels/competencies, geographic distribution, and diversity profile. This step permits focus on priority needs and provides the ability to align workforce strategies with them. It sets the stage for developing and using the optimum mix of recruitment, retention, development, downsizing, and sourcing strategies. It must be emphasized that these strategic workforce planning steps are essential for both the workforce with centralized management and the workforce with decentralized management.

Recommendations:

31. Build upon the work of the Army's Acquisition Career Management Organization to analyze and specify gaps in terms of numbers and acquisition competencies, applying similar techniques to other critical functions.

32. Examine potential gaps in the future workforce (including contractors) that may result from external shortages, such as technical specialists in the educational pipeline. Develop strategies, like scholarship programs, to overcome such shortages.

33. Explore the use of *strategic workforce sourcing*. This term means the evaluation, analysis, selection, and assembly of people to meet organizational goals, regardless of whether they are employees, independent contractors, or companies working on an outsourcing basis. According to the Gartner Group, strategic workforce sourcing is being used by some private sector organizations that have adopted a centralized/decentralized workforce model similar to the structure WGI has proposed for the Army.[14] Strategic sourcing would enable the implementation of the Army's vision by establishing processes to facilitate the movement across the spectrum of employment arrangements. Similarly, it can support advance skills planning and establish methods of flow between the centralized and decentralized workforces for civilians, either as permanent or contingent employees or as contractors.

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[14] "The Meteoric Rise of Workforce Sourcing," Research Note SPA-09-4468, 11 October 1999.

V. ALTERNATIVE HR MANAGEMENT MODELS

Within the Army, it is largely recognized that the HR systems currently in use are not functioning in the manner intended.

- The general schedule compensation system is uncompetitive and rewards tenure rather than performance or contribution.
- The performance management system is rarely tied in meaningful ways to incentives and neither motivates high achievers nor addresses poor performance.
- The hiring system is unwieldy and unresponsive to managers who need to hire people quickly.

Yet, if the Army were to be relieved of Title 5 requirements, implement the numerous recommendations outlined in the previous section, and hold supervisors truly accountable for managing, could the Army achieve its vision of a high performing workforce within its current HR management structure? Assuming legislative reform is pursued regardless of which HR management model is used, WGI considered several conceptual models before deciding on a specific recommendation. These models included pursuing HR reforms within the current management structure (status quo), within a conglomerate approach similar to the one followed by large corporations like General Electric or Asea Brown Boveri of Switzerland, and one consisting of a centralized/decentralized model as proposed by Charles Handy and the Heritage Foundation. Each management model is briefly outlined below and analyzed for its ability to help the Army achieve its future vision.

Status Quo

Reforming the HR system the Army uses by seeking relief from Title 5 and implementing a more competitive pay system, a more meaningful incentive program and streamlining the hiring process so that new people could be hired in weeks instead of months, would be a significant improvement to the current system. However, it would not be sufficient to attain Army’s future vision.

The current system does not enable the Army to strategically manage its workforce in any meaningful way. If the majority of new workers no longer plan on spending an entire career with a single employer, how will the Army cultivate its civilian leaders of tomorrow? This is a particularly acute problem given that so much of the Army’s institutional memory, expertise and wisdom will be eligible to retire in the very near future. In order for the Army to achieve its national security mission it must invest equally in its entire core workforce, which has always included a combination of military and civilian personnel. Historically, however, the institutional investment committed to the training and development of the two types of employees has been widely disparate. Under the current system civilian training budgets are minimal, their allocation uneven and return on investment analysis haphazard (if done at all). Training budgets remain an easy target for local commanders to shift to other more immediate priorities. If the Army wants capable civilian leaders of tomorrow it will have to strategically invest in them today, something that the current system does not address.

The current system does not make any accommodations for the changes in the values and outlook of the next generation of civilian workers. It assumes that most new employees will begin their civilian career at the entry level and progress through a single occupation until that person retires. This does not take into account that many new workers cannot imagine spending an entire career with a single employer nor how working traditional hours will enable them to balance their work/life priorities. The Army's traditional career path does not address the new generation's desire to attain multiple skills nor the Army's vision of developing a multi-skilled workforce that adapts quickly to a changing Army mission. Creating a more competitive pay system will enable the Army to attract some of the best and brightest, but pay is only part of the equation. Although flexible employment arrangements are possible under the current system, they are not widely utilized. In addition, there is little strategic thinking about how to attract new employees in a time of record low unemployment, or how to retain them.

Given the limitations of the current HR system, even after implementing extensive legislative reforms, WGI believes the only way for the Army to achieve its vision is to adopt a new HR system in conjunction with the much needed HR reforms. Two possibilities, a conglomerate and a centralized/decentralized approach, are outlined below.

Conglomerate

Asea Brown Boveri (ABB), the innovative power-engineering company based in Zurich, Switzerland, employs over two hundred thousand people and is split into twelve hundred different companies with roughly two hundred employees each. Companies within ABB are accountable for their own profit and loss and keep a third of their net profits.[15] The CEO of ABB once described the corporation in this way, "We are a federation of national companies . . . a collection of local businesses with intense global coordination."[16]

Would the conglomerate model work in the Army context where profit is not the driving force? What if all the MACOMS were managed in a completely decentralized fashion with their own budgets? With a mission as grand and overarching as the U.S. Army's – to provide national security - it is hard to imagine achieving that mission with hundreds of separate fiefdoms. Especially since MACOMS are currently encouraged to tap the resources and expertise of one another in order not to duplicate functions or need to develop them all in-house. The ability of a completely decentralized system to address the need for strategic workforce management and the development of future civilian leaders would probably be worse than under the current system. Investment in the training and development necessary to cultivate tomorrow's leaders would be left to the vagaries of individual managers. Successful implementation of flexible employment patterns that include multiple entry points, flexible schedules and varied career paths – things that take into account the changing values of the next generation - would also very much depend on the management capabilities of each decentralized unit. Finally, a completely decentralized model would not be able to provide the variety of developmental opportunities needed to foster multiple skills which is so integral to Army's vision and its ability to become more adaptable.

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[15] *Ibid.*, p. 100.

[16] William Taylor, "The Logic of Global Business," *Harvard Business Review* (March-April 1991).

Centralized/Decentralized

Ketchum, Inc., a public relations firm with $125 million in revenue and 1500 professionals in 29 offices worldwide, is an example of the centralized/decentralized model in practice. The firm uses a talent network to access employees, non-employees, quasi-employees, and outside niche firms (regardless of geographical location) to produce the best teams it can to meet client needs. The implementation of this new fluid management structure has enabled Ketchum to increase its profits more than five-fold in less than five years.[17]

Noted management consultant and Fellow of the London Business School, Charles Handy, first conceptualized these ideas. In his 1990 book, *The Age of Unreason,* he described an organization with three parts consisting of core employees, contractors, and temporary and part-time help.[18] Later, in his 1994 book, *The Age of Paradox,* he provided another way of viewing this flexible workforce by combining the various types of workers into a core and supplemental model designated by two concentric circles. The inner circle consisted of the organization's core employees performing mission-related tasks. The outer circle consisted of other workers performing tasks that are project oriented or intermittent.[19]

A similar idea was recently proposed for the entire federal workforce in a paper issued by the Heritage Foundation. This paper describes a core-spoke-rim model where the "core" would include expert individuals who serve as executives and managers, "spokes" would be a new class of temporary employees, and the "rim" would be contractors.[20]

The idea of investing heavily in your core employees directly addresses how the Army can develop its leaders of tomorrow. This management model demands that the Army invest similar resources in training and developing its entire core workforce. This would be attractive to members of the new generation because career paths could be tailored to individuals, developing multiple skills would be a requirement and the Army would be very flexible in accepting part-time or flex-time proposals from members of the centrally managed workforce in order to protect its investment. In addition, this model would provide the ability for workers to move back and forth between the centralized and decentralized workforces based on personal needs and interests that may vary according to different stages of work-life. The concept of a flexible workforce also addresses key concerns about the new generation and the shrinking labor market. Instead of lamenting the end of the traditional civil servant career, it enables managers to put together the best teams possible by using a variety of employment arrangements.

The ability of each management model to address the critical challenges facing Army's leadership and achieve Army's vision of the future are outlined in Table 1 below:

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[17] Bruce Tulgan, *Winning the Talent Wars* (New York: W.W. Norton & Company, Inc.), 2001, pp. 64-67.

[18] Charles Handy, *The Age of Unreason* (Boston: Harvard Business School Press), 1990, pp. 90-93.

[19] Charles Handy, *The Age of Paradox* (Boston: Harvard Business School Press), 1994, pp. 69-86.

[20] George Nesterczuk, with Donald J. Devine and Robert E Moffit, "Taking Charge of Federal Personnel," *The Heritage Foundation Backgrounder- Executive Summary,* January 10, 2001, p. 20.

Table 1: Contrasting HR Reforms with Various HR Management Models

Dimensions of HR Management Models	Status Quo	Conglomerate	Centralized and Decentralized
Strategic Workforce Management Army-wide HR perspective	✓	✓	✓✓✓
Future Generations Fit with values and outlook	✓	✓✓	✓✓✓
Flexible Employment Patterns			
• Multiple entry points	✓	✓	✓✓
• Flexible schedules	✓✓	✓	✓✓✓
• Varied career paths available	✓	✓	✓✓✓
Retirement Bubble			
• Replace lost skills	✓✓	✓✓	✓✓
• Redesign for future needs	✓	✓	✓✓✓
Training and Development Return on investment	✓✓	✓	✓✓✓
Encourages Multiple Skills Selection and development	✓	✓✓	✓✓✓
Ability to Expand and Contract Workforce -- adaptability	✓	✓	✓✓✓
Management Accountability For HR Results	✓✓	✓✓	✓✓✓

Legend: Ability to produce desired outcome:
✓ - Limited ✓✓ - Moderate ✓✓✓ - Exceptional

Recommendation:

34. After careful review of the models outlined above, WGI recommends an adaptation of the models proposed by Charles Handy and the Heritage Foundation. Like those models WGI advocates a heavily invested centrally managed core. However, all other positions (whether they be permanent, temporary or contractor) will be managed in a decentralized manner. Individual MACOM budgetary considerations, mission requirements and local labor markets would drive the exact mix of workers and employment arrangements in the decentralized workforce.

The end result of adopting this model would be to enable the Army to strategically manage its human capital, and assure return-on-investment from these assets. A critical feature of this model is central management of the core workforce. Central management will assure that decisions on hiring, assignments, development, training, promotion, and retention are made strategically. That is, these decisions would be based on long-term, Army-wide interests, and not only on the short-term interests of local commanders. Central management also assures fairness. The same criteria would be applied Army-wide in hiring, promotion, retention, and separation of the most critical civilian leaders and employees. Consistent criteria and central decision-making also provide quality control, thereby assuring the best use of resources invested.

Adopting this model will not only produce significant gains at the Army level, but also will produce substantial benefits for major commands and local commanders. The decentralized workforce concept will provide an unprecedented ability for local commanders to redesign the rest of the workforce using a range of employment options based on local requirements. The flexibility inherent in this model will allow local commanders more easily to expand and contract the workforce consistent with fluctuations in their workload. This model, therefore, aligns human capital decision-making with the perspectives and needs of the decision-makers: long-term, strategic decisions at headquarters, and short-term, tactical decisions in the field.

VI. RECOMMENDED HR MANAGEMENT MODEL

Therefore, to achieve the vision, WGI proposes a workforce model that will lead the Army to implement an HR management system having two very different approaches to human resources management and workforce planning. One approach would include a centralized, heavily invested system for certain key, permanent positions. The other approach would consist of a decentralized, budget-driven system for all other positions which would include three types of personnel: (1) permanent civil servants, (2) temporary appointees, and (3) contractors.

Table 2 synopsizes these two very different approaches to human resources management. The Army will need to expand on these differences and create specific HR systems and policies needed for each workforce category. Characteristics of each workforce are outlined in more detail after the chart.

Table 2: Human Resource Management Implications

CENTRALIZED	DECENTRALIZED		
PERMANENT	PERMANENT	OTHER TEMPORARY/TERM	CONTRACTORS
Long-term career commitment	Mid- to Long-term career commitment	Short-term employment commitment	Employment per terms of contract
Army invests heavily in creating multi-skilled workforce	Army provide mission related training; functional career management	Training provided as needed, individual expected to manage career and keep skills current	Minimal training provided, Company and/or individual expected to keep skills current
Selective organizational and/or geographic mobility normally required for career advancement	Mobility generally not required		Per terms of contract or company policy
Long tenure	Medium to long tenure	Short tenure, contingent employment	Short to medium tenure, contingent employment
Pay based on market factors, performance, and contribution	Pay based on market factors and performance		Pay based on negotiated contract
Rank-in-person approach, promotion based on performance, development and mastery of competencies	Position-based approach Promotion based on performance and skills		Per terms of contract or company policy
Complex movement from employee to contractor status (ethics rules)	Easy movement to other decentralized forms of employment; one feeder group for centralized positions	Easy movement to and from employee or contractor status (little conflict of interest)	
Centrally managed career development - promotion, placement, training	Decentralized HR management, budget driven		Company HR management, budget driven

Centrally Managed Workforce

The centrally managed workforce would be defined by the determination of key civilian personnel positions, those positions whose incumbents would meet unique Army needs—those who would play critical leadership and management roles within the Army. These positions would have the following characteristics - positions that:

- Have incumbents that require competencies that cannot readily be obtained from the general labor force; i.e., a new hire cannot gain these competencies within a reasonable period of orientation and on-the-job training.
- Have incumbents with competencies that require a long-term commitment on the part of both the individual and the Army.
- Require a significant Army investment in the incumbent. Therefore, in order to get the best return-on-investment, the Army must intensely manage personnel in these positions, and be flexible regarding alternative work arrangements.
- Include senior leadership/managerial positions (including SES), as well as progressively responsible lower-level positions to serve as developmental assignments for future senior leaders.
- Require development of incumbents to provide not only leadership competencies, but also business/professional/technical and organizational competencies.
- Have incumbents with broad-based functional competencies as well as leadership and organizational skills. Incumbents must truly be multi-skilled.

Decentralized Workforce

In contrast to the centralized workforce, the decentralized workforce will consist of civilians who have a task orientation and focus. These civilians will have specialized skills, e.g., information technology, medicine, accounting that are critical for operation, production, and/or support functions and tasks. These positions would have the following characteristics - positions that:

- Have incumbents that require skills that can readily be obtained from the general labor force and easily be acquired at market rates and/or with flexible employment arrangements.
- Have incumbents with skills that can be expanded within their functional careers, e.g., nurses acquiring multiple specializations.
- In order to get the best return-on-investment, Army investment in the incumbents would depend on their tenure commitment to the Army:
  -- The Army would provide mission related training to its permanent civilians and functional career development (to include the acquisition of multiple skills) would be managed at the local level.
  -- The Army would provide training as needed to temporary workers, but normally only to accomplish the mission at hand.
  -- Minimal training would be required for contractors; the company or the individual would be responsible for keeping their skills current.

- Have incumbents that can be hired using a variety of employment arrangements. Local commanders would have the flexibility to manage its workforce the most efficient way possible given its local mission requirements and labor market.

Sizing the Centralized Workforce

The centralized, heavily invested system for certain key personnel would include employees performing mission-related tasks as well as expert individuals who serve as executives and managers.

Given the characteristics of the centralized workforce as described above, the next question is how to identify the employees within the Army for inclusion in the centralized workforce. WGI investigated several alternative ways to size or specify this centrally managed workforce. All alternatives are based on identifying key civilian positions that would be filled by senior civilian personnel within the Army. By identifying current positions having specific characteristics, a group of current individuals encumbering positions is established. Persons in these positions would have a broad, long-term mission orientation and focus, and would play a critical leadership and functional role within the Army. Each of the alternatives investigated is discussed below:

Management Headquarters:

Who's included: Incumbents of positions at the GS-12 or equivalent and higher, including SES, in the group of organizations identified as Army Headquarters. This calculation provides a very small centrally managed workforce of 4,850 persons. This represents just over 2% of the Army civilian workforce.

Who's not: There are many other jobs within the Army outside the Management Headquarters organizations that meet the criteria outlined in this paper for sizing a centrally managed workforce. The result is that this calculation would represent positions that are too few and too narrow to be considered as a full and viable "core."

Supervisors, Managers, and Leaders:

Who's included: Personnel in grades GS-12 or equivalent and above, including SES, in positions across the Army identified as Supervisor, Manager, Leader, or other critical positions. This would be at least 16,222 persons, but probably not more than 20,000, or 7-9% of the Army's civilian workforce. Note that these numbers include 5,368 personnel in the science and engineering occupations.)

Who's not: There may be other personnel in the Army who are in key positions and are not necessarily designated as supervisory, such as technical and non-supervisory positions. The result is that this calculation may overlook some positions that would be included based on a position-by-position review.

Inherently Governmental Functions (FAIR Act):

Who's included: Employees in these positions are those that are performing inherently governmental functions under the Federal Activities Inventory Reform (FAIR) act. The number of GS-12s and equivalents and above represents about 34,674, or 15% of the workforce.

Who's not: Employees in non-inherently governmental functions, as well as GS-11s and below in inherently governmental functions. It should be expected that there are many positions meeting the above criteria in the Army that are not coded as inherently governmental.

All Inherently Governmental Positions:

As a variation to the above FAIR Act alternative that limits positions to GS-12 and above, inclusion of all positions coded as Inherently Governmental, regardless of grade. This would yield a much larger population for the centrally managed workforce.

Who's included: All personnel identified in positions performing inherently governmental functions. The 63,268 persons performing inherently governmental functions represent about 28% of the Army civilian workforce.

Who's not: Personnel in all positions that are not identified as inherently governmental functions.

Career Programs:

Who's included: All key personnel in positions within the 22 career programs and 6xx (medical) occupational codes. This includes GS-12s or equivalent and higher, including SES. The 52,231 persons in this calculation represent about 24% of the Army civilian workforce.

Who's not: Personnel neither in a career program nor in a medical occupational code.

Total Army:

Who's included: All civilian personnel in the total Army in positions at GS-12, equivalent or higher grades, including SES. The 64,637 persons so identified represent about 28% of the total Army civilian workforce.

Who's not: Civilians in positions at the grade of GS-11, equivalent, and below.

Table 3, below summarizes estimates identified above in three different groups: the first shows the size of each alternative if all GS-13, equivalent, and higher positions are selected (including SES); the second shows the numbers of all GS-12 and equivalent positions, which could be added to the GS-13s; and the third group is the sum of the first two columns, which would reflect GS-12, equivalent, and above positions.

Table 3: Alternative Calculations for the Army Centrally Managed Workforce[21]

	GS-13 & Above	GS-12	Total: GS-12 & Above
Management HQs	3,354	1,496	4,850
Supv, Mgrs, & Ldrs	12,829	3,793	16,622
FAIR Act	19,632	15,042	34,674
FAIR Act, total			63,268
Career Programs	27,330	24,901	52,231
Total Army	33,375	31,262	64,637

Pros and Cons for Each Alternative:

Table 4 below provides a comparison of pros and cons for each alternative methodology for sizing the centrally managed workforce.

Table 4: Pros and Cons for Each Alternative

Alternative	Pro	Con
Management Headquarters	Includes a small number of key leadership positions that help run the Army.	Excludes many leadership and key functional positions that are outside of headquarters organizations.
Supervisors, Managers, and Leaders	Includes those positions that are specifically identified as having responsibilities for supervising or managing in the Army.	May exclude some leadership and technical positions that are not coded as supervisors or managers, which would have to be identified through a position-by- position review.
Inherently Governmental Functions (FAIR Act)	Includes senior positions that meet the criteria for accomplishing the inherently governmental functions. Meets the Congressional intent of identifying critical, important governmental functions.	Excludes some positions in the Army that are performing essential leadership and support missions, but are not identified as inherently governmental.
Career Programs	Includes substantially all leadership and senior positions in that portion of the Army covered by Career Programs (34% of all positions).	Excludes leadership and senior positions not in career programs.

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[21] The FAIR data includes civil works and estimated numbers of Army Reserve and National Guard Military Technicians.

Variations to the Alternatives:

There are a host of variations to the above alternative categories and sizing methodologies. For instance, there might be a decision to only include GS-13 and above positions in the centrally managed workforce, but to manage the GS-12-level workforce, and lower grades, as a pool of potential candidates for promotion into the centrally managed workforce. Clearly, a feeder group or pool of civilian employees is essential for grooming entrants into the centrally managed workforce. This could include all GS-11s and below, or just interns, or some portion of either. The objective should be to select those positions and incumbents that strictly meet the criteria selected. In the final analysis, a position-by-position review will be required by subject-matter experts and MACOM civilian personnel managers to determine the exact size of the centralized workforce.

The positions performing supervisory, management, leadership functions, which includes the 15,989 positions identified as GS-12, equivalent and above (including SES), provide a strong basis for determining the centrally managed workforce and probably represent the best first-cut toward sizing this group. They meet the conceptual criteria for establishing a centrally managed workforce that are identified in this paper. They require a long-term acquisition and development cycle and could be reasonably well managed by a central authority.

Note that, as described above, the decentralized workforce would continue to have a number of permanent positions that are essential to the Army's success, but which do not require central management.

Recommendation:

35. Use the identified supervisory, management, and leadership positions that are GS-12, equivalent, and above as the initial basis for establishing the Army's centralized workforce. A careful review and scrub of all Army positions, including interns and developmental pool positions, should be made before a final centralized workforce is determined and communicated to the Army world.

VII. SUMMARY AND NEXT STEPS

A number of these recommendations will require further analysis, discussion and staff work. The Key Design Team, representing major commands, has already begun to raise and explore issues and questions related to these proposals. The most urgent needs are to resolve issues with regard to those proposals that represent radical departures from today's HR practices. One approach to this work is to engage members of the Key Design Team, DASA(CPP), and WGI in efforts to produce a series of detailed decision documents. These documents would outline specific steps required to confirm and implement the recommendations, including proposed policy guidance and transition issues. (Transition issues would include, for example, the relationship between the new HR model and existing programs such as the Army Acquisition Corps.) The following is a suggested list of decision documents that would need to be prepared:

1. Central management paradigm:
   - Composition of the centrally managed workforce
   - Structure and authority, and resources (program and budget) of the central HR management office
   - Assignment process
   - Mobility policy
   - Rank-in-person concept (or alternative)
   - Selection process for promotion and retention
   - Performance appraisal process
   - Compensation system
   - Recruiting, hiring, points of entry and exit

2. Decentralized workforce management:
   - Concept of operations for decentralized HR management
   - Authority and resources (program and budget) of major commands and local commanders
   - Policy framework, including:
     - Employment arrangements (permanent, temporary, contractual)
     - Market-based compensation
     - Performance management
     - Hiring processes
     - Movement between employment categories (e.g., contractor to employee and vice versa)

A high-priority task is to create and vet the legislative proposals that will be needed to implement the new HR model. While this effort can occur in parallel, the above decision papers will be needed to support and defend the need to amend Title 5. Two other key tasks are cost analysis and change management. Sub-teams can address both areas while the other efforts are proceeding. Cost analysis will be needed to support any resource-related decisions, and change management—the communication and marketing of this huge culture change—should begin as soon as possible.

The proposed new HR model and other recommended changes described in this report, if implemented, will accomplish the following:

- Change the Army's view of its civilian human resources to a strategic, Army-wide view that will better support Army Transformation.
- Enable the Army to deal effectively with the loss of skills and experience through the retirement wave, while also giving an unprecedented opportunity to redesign the civilian workforce.
- Provide the variety of employment arrangements, schedules, and career paths that will have increased appeal to future generation workers' values and attitudes.
- Support more flexible HR management systems that will make the Army more adaptable, with increased ability to expand and contract its civilian workforce.
- Provide for long-term development of leaders and other critical personnel.
- Encourage development of multiple skills and broad knowledges.
- Assure a positive return on investment in human resource development and management.
- Provide incentives toward management accountability for HR results.

VIII. CIVILIAN PERSONNEL DIRECTORS' COMMENTS AND CONCERNS

Directors of Civilian Personnel for the Army's MACOMs (major commands) met on 4 May 2001, to be briefed on and to review the recommendations contained in this paper. As a result of their comments, some editorial changes were made in the body of the paper:

- Clarified that the geographic or organizational mobility requirements for members of the centrally managed workforce would be made on a selective, not automatic or scheduled basis (pages 14, 29).
- Made more explicit the flexibility of movement into and out of the centrally managed workforce based on personal needs and interests that may vary at different stages of career and life (page 26).
- Reemphasized that the actual, and final composition of the centrally managed portion of the Army civilian workforce would be based on a careful position-by-position review, not just on any arbitrary identification by grade levels or other categories from a workforce database (page 34).

The Civilian Personnel Directors expressed a consensus, in concept, with the following:

- Adopting a centralized-decentralized model of workforce management.
- Facilitating increased workforce movement between employee and contractor status.
- Developing civilians through increased training and education in a manner similar to that provided to military personnel.
- Using retirement incentives to help shape the future workforce.
- Making the civilian workforce reform and reshaping a key part of Army transformation.

This consensus, however, was accompanied by several questions and concerns about specific policies and implementation procedures. Among these questions and concerns are:

- The definition and shape of future career programs.
- The importance of first obtaining legislative reform with respect to hiring and compensation, whether or not the Army adopts a centralized-decentralized workforce management model.
- The feasibility of obtaining desired legislative reform, together with alternative strategies to improve the Army's ability to attract and retain the workforce it will need.
- The need for a strategy for communicating the substance of, and gaining support for, the proposed changes in civilian workforce management, within the Army.
- The concern over resource issues, including the costs of implementing the new concepts, and sources of funds for enhanced civilian workforce development.
- The importance of continued participation by, and input from, the major commands' Civilian Personnel Directors.

These issues and concerns will be addressed and further worked with the Key Design Team and the Civilian Personnel Directors as the CPMS XXI reform process moves forward.